



Drilling Permits Statewide Rule 37 & 38 Exceptions

Christopher Houston, Johnnethan Washington and
Sherri Gore

Presentation Overview



- Terminology associated with exception applications
- Statewide Rule Exception Triggers
- Notification parameters
- Plat requirements
- Different ways to resolve SWR exceptions



Drilling Permits Statewide Rule 37 & 38 Exceptions

		Penetration Point	Lease		feet	from the		line	and		feet	from the		line
--	--	-------------------	-------	--	------	----------	--	------	-----	--	------	----------	--	------

Statewide Rule Exceptions

Are you applying for any SWR exceptions? Check all that apply.

- ☐ SWR 37 Lease Line
- ☐ SWR 37 Between Well
- ☐ SWR 37 Interior Lease Line - P12 Must Be Attached
- ☐ SWR 38
- ☐ SWR 38(d)(3)
- ☐ SWR39 - Total Acreage is non-contiguous, separated by something other than ROW

*required information

** required only if Unitized

Save

Field Rules

Oil Field Rules:

County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N

Schedule Remarks: AFTER TESTING THE WELL.

Comments: R38 OK W/O DATA,P-15'S,ACLIST & LEASE PLAT OR PRO PLAT

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	330	0	80.0	80.0	Corner to Corner	0

Gas Field Rules:

County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N

Schedule Remarks: IS EARLIER.

Comments: R38 OK W/O DATA,P-15'S,ACLIST & LEASE PLAT OR PRO PLAT

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	330	0	80.0	80.0		0



Drilling Permits Statewide Rule 37 & 38 Exceptions

Special Horizontal Field Rules

Special Horizontal Field Rules: For informational purposes only. The Final Order controls all field rules.

[Illustration](#) [Screen Help](#)

Correlative Interval: From 6865 to 10605 feet

Established by API Number: 32931029

Dual Lease Line Take Point Spacing

First/Last Take Points (Heel and Toe) to Lease Line: 100 feet

Off-Lease Penetration Point: Yes

Perpendicular Spacing from All Take Points to Lease Line: 330 feet

Between-Well Spacing

Horizontal to Vertical: 0 feet

Subsurface Tolerance Box: 50 feet

Horizontal to Horizontal: 0 feet

Non-Perforation Zone (NPZ): Yes

Overlap Distance: N/A

Stacked Lateral Rules: Yes (If yes, see Final Order for details)

Special Rule 38 (Well Density) Provision

Upper: 79 acres

Notification Radius: 660 feet

Lower: 20 acres

Comments for the Special Field Rules

Comments: DOCKET NUMBER 7C-0291171 IS THE SECOND DOCKET APPROVED FOR THIS FIELD.

History: Final Orders that contain special horizontal field rules language

Docket Number	Final Order Effective Date	Final Order Document
7c-0291169	12/02/2014	Click Here



Drilling Permits Statewide Rule 37 & 38 Exceptions

SWR 37 & 38 terminology you should know.

- OFFSET
- WAIVER-
 1. Basic information required
 2. Information on waiver must match permit application
 3. We will not accept waivers older than 6 months



Drilling Permits Statewide Rule 37 & 38 Exceptions

DATE
EXAMPLE
RULE 37 AND/OR RULE 38
WAIVER

OFFSET INC
P O BOX XXXXX
XXXXX, TEXAS XXXXX

RE: RULE 37 AND/OR RULE 38
LEASE NAME _____
COUNTY _____

THE APPLICANT IS REQUESTING AN EXCEPTION TO
STATEWIDE RULE 37 AND/OR RULE 38 THE BELOW SIGNED
HAS NO OBJECTIONS.

SIGNATURE _____
TITLE (OPTIONAL) _____
DATE: _____

Example of generic waiver



Drilling Permits Statewide Rule 37 & 38 Exceptions

SWR 37 & 38 terminology you should know.

- SERVICE LIST
- UNAFFECTED
 1. lease spacing
 2. between well
 3. Density



Drilling Permits Statewide Rule 37 & 38 Exceptions

SWR 37 LEASE LINE EXCEPTIONS

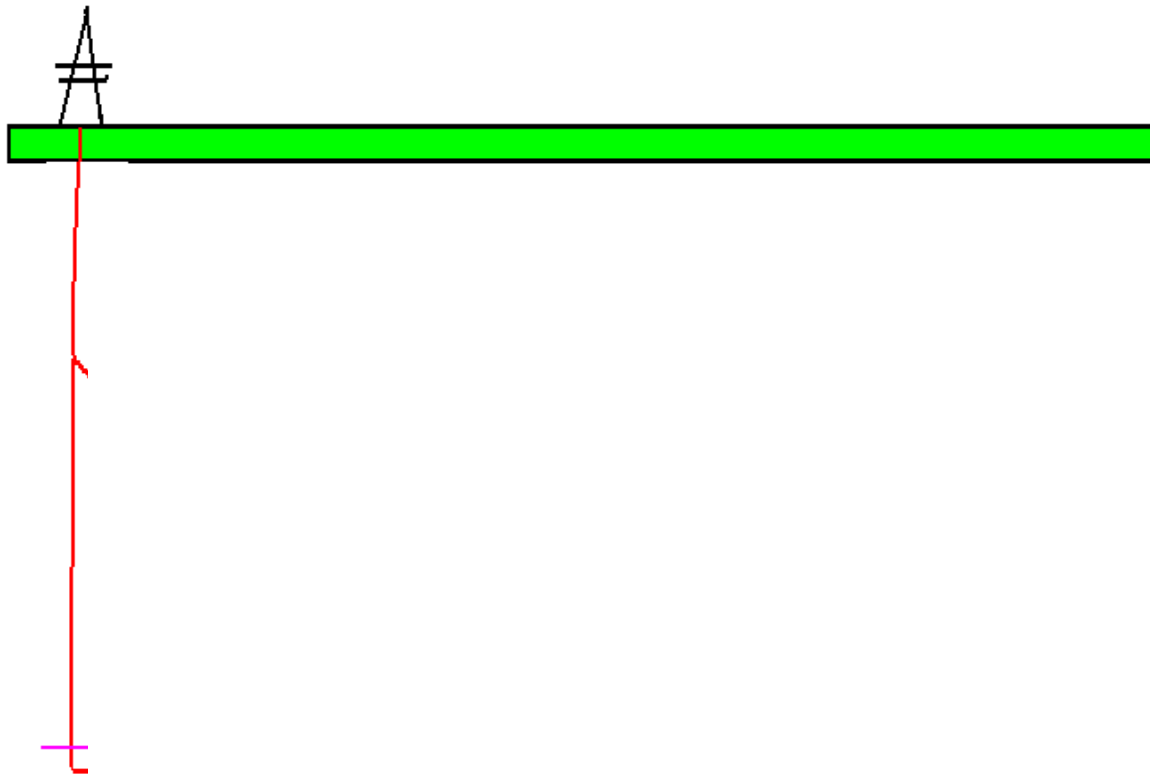
What triggers a SWR 37 lease line exception?

- Vertical well
- Directional well
- Horizontal well
 1. SWR 86 field
 2. Field with special horizontal rules



Drilling Permits Statewide Rule 37 & 38 Exceptions

Vertical Well in Productive Zone

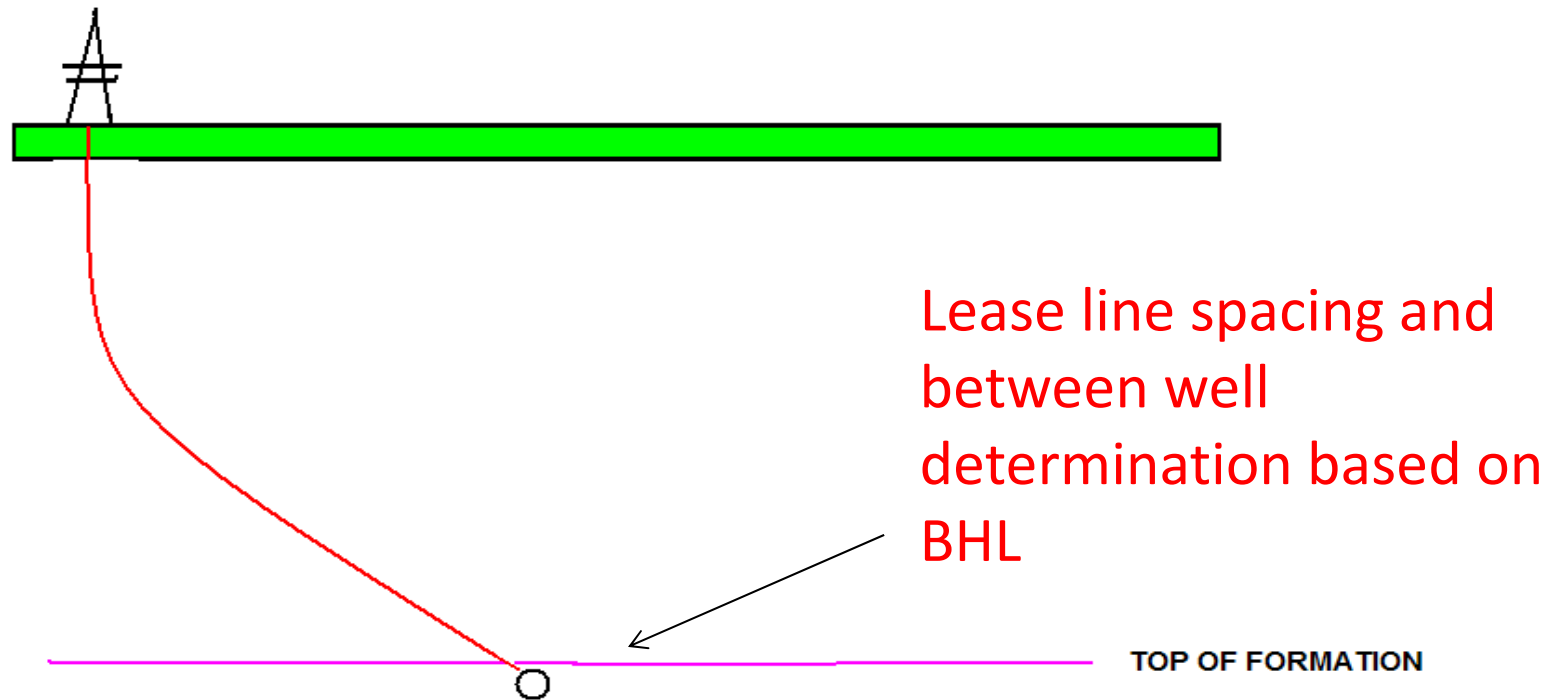


WELLBORE IN PRODUCTIVE ZONE



Drilling Permits Statewide Rule 37 & 38 Exceptions

Directional Well in Productive Zone



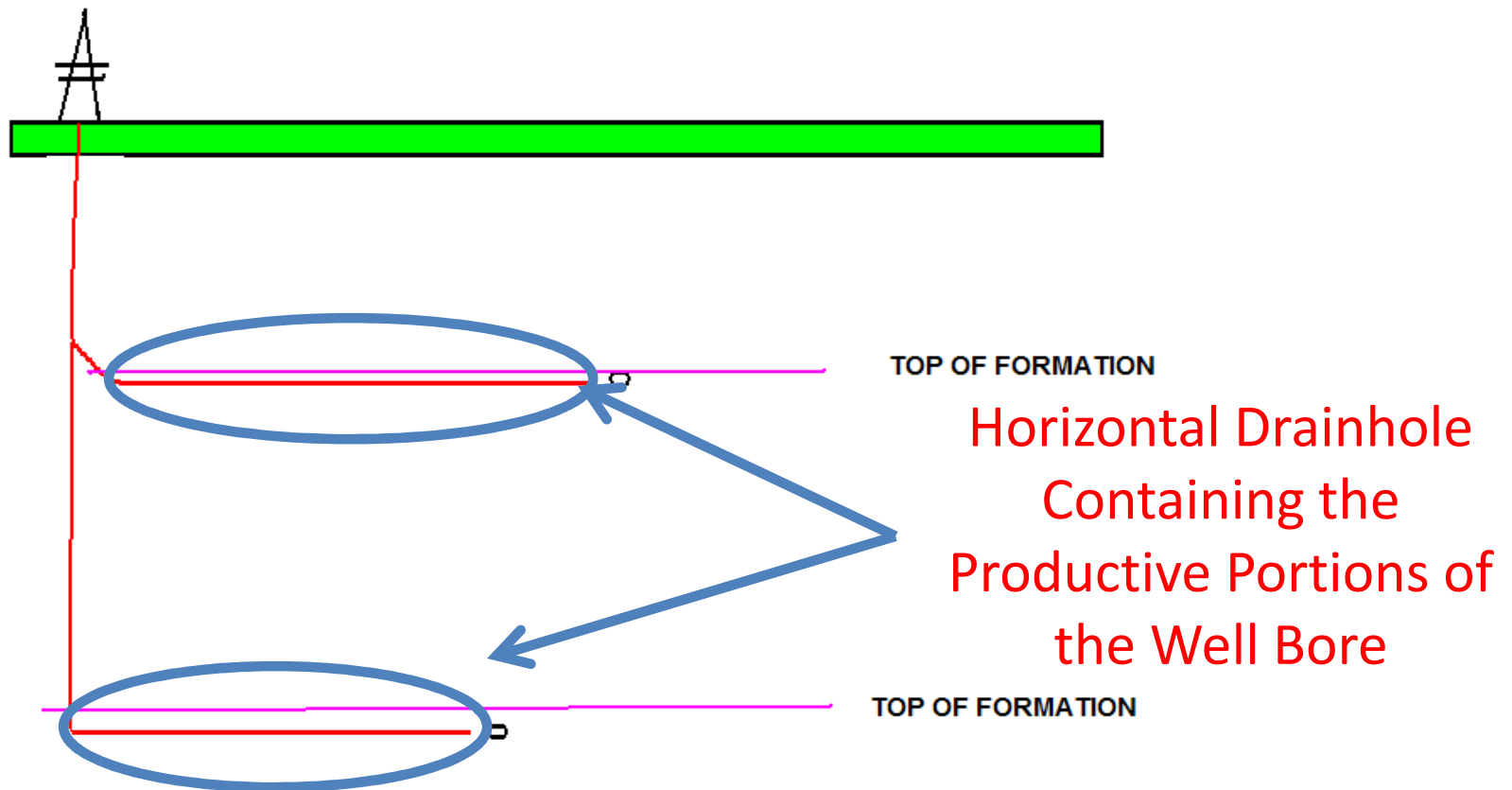
WELLBORE IN PRODUCTIVE ZONE

DIRECTIONAL PROFILE



Drilling Permits Statewide Rule 37 & 38 Exceptions

Horizontal Well Productive Zone





Drilling Permits Statewide Rule 37 & 38 Exceptions

SWR 37 SPACING EXCEPTIONS

What triggers a SWR 37 Lease Line exception?

Oil Field Rules:

County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N

Schedule Remarks: WELL RECORD.

Comments: OPTIONAL NO DIAGONAL

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	467	933	160.0	40.0	Corner to Corner	0
Optional Rules	All Depths	467	933	40.0	0.0	Corner to Corner	99999

Gas Field Rules:

County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N

Schedule Remarks: FIELD RULES ARE TEMPORARY AND EFFECTIVE UNTIL MAY 30, 2012.

Comments: CORR. INT. 8070 - 15,92', 40 AC. OP., RULES TEMP. TIL 5/30/12

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	467	933	320.0	32.0		0
Optional Rules	All Depths	467	933	40.0	0.0	Corner to Corner	99999

Drilling Permits Statewide Rule 37 & 38 Exceptions



Special Horizontal Field Rules

Special Horizontal Field Rules: For informational purposes only. The Final Order controls all field rules.

[Illustration](#) [Screen Help](#)

Correlative Interval: From 6865 to 10605 feet

Established by API Number: 32931029

Dual Lease Line Take Point Spacing

First/Last Take Points (Heel and Toe) to Lease Line: 100 feet

Perpendicular Spacing from All Take Points to Lease Line: 330 feet

Off-Lease Penetration Point: Yes

Between-Well Spacing

Horizontal to Vertical: 0 feet

Horizontal to Horizontal: 0 feet

Overlap Distance: N/A

Subsurface Tolerance Box: 50 feet

Non-Perforation Zone (NPZ): Yes

Stacked Lateral Rules: Yes (If yes, see Final Order for details)

Special Rule 38 (Well Density) Provision

Upper: 79 acres

Notification Radius: 660 feet

Lower: 20 acres

Comments for the Special Field Rules

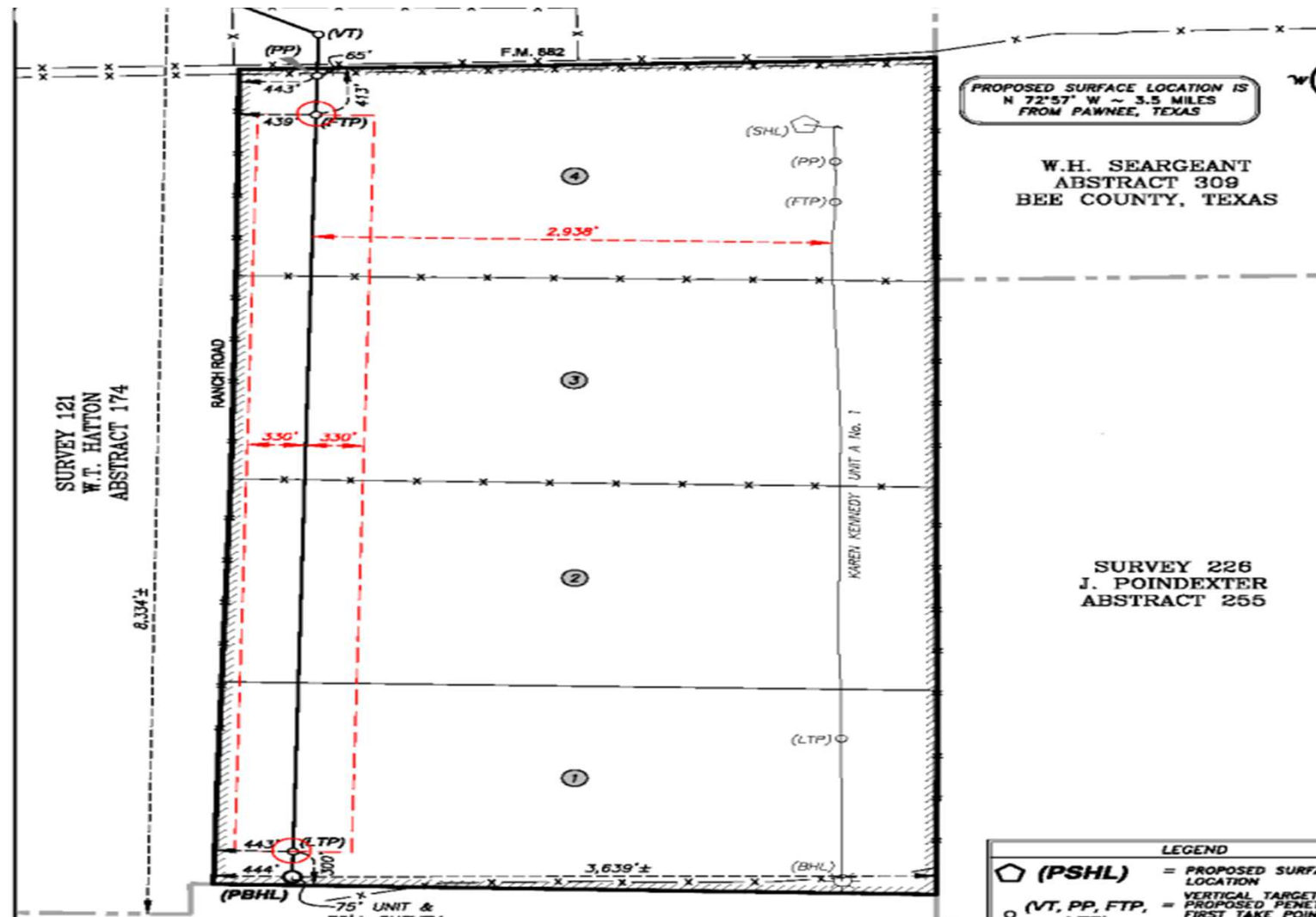
Comments: DOCKET NUMBER 7C-0291171 IS THE SECOND DOCKET APPROVED FOR THIS FIELD.

History: Final Orders that contain special horizontal field rules language

Docket Number	Final Order Effective Date	Final Order Document
7c-0291169	12/02/2014	Click Here



Drilling Permits Statewide Rule 37 & 38 Exceptions



HORIZONTAL WELL PLAT



Drilling Permits Statewide Rule 37 & 38 Exceptions

Plat requirements For Lease Line SWR 37 exception

- The plat must clearly show all offset interests within whichever is **greatest** between the lease line spacing or half of the between well spacing for the field in question.
Example: LL = 467' BW= 1200' so half of BW = 600' this value is greater than 467' so offsets within **600'** of well location must be shown on plat.
 - Vertical well – from location of the well
 - Directional well – from the BHL of the well
 - Horizontal well- portion of well within the correlative interval

All plats used for SWR exceptions must be certified with a surveyors stamp or signature from operator representative.



Drilling Permits Statewide Rule 37 & 38 Exceptions

Plat requirements For Lease Line SWR 37 exception

Special horizontal field rules- dual lease line provisions

The plat must clearly show all offset interests within the prescribed heel and toe distances and within the minimum lease line distance along the well bore path

All plats used for SWR exceptions must be certified with a surveyors stamp or signature from operator representative.





Drilling Permits Statewide Rule 37 & 38 Exceptions

RESOLUTIONS TO SWR 37 EXCEPTIONS

LEASE LINE:

- You are your own offset.
- You have waivers from affected offsets.
- Provide service list for 21-day notification of affected offsets.
- If unable to locate affected parties request to set up for publication of notice for 4 consecutive weeks



Drilling Permits Statewide Rule 37 & 38 Exceptions

SWR 37 SPACING EXCEPTIONS

What triggers a SWR 37 Between Well exception?

Oil Field Rules:

County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N

Schedule Remarks: WELL RECORD.

Comments: OPTIONALS 40AC NO DIAGONAL

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	467	933	160.0	40.0	Corner to Corner	0
Optional Rules	All Depths	467	933	40.0	0.0	Corner to Corner	99999

Gas Field Rules:

County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N

Schedule Remarks: FIELD RULES ARE TEMPORARY AND EFFECTIVE UNTIL MAY 30, 2012.

Comments: CORR.INT.8070'-13092' 40 AC OR RULES TEMP.TIL 5/30/12

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	467	933	320.0	32.0		0
Optional Rules	All Depths	467	933	40.0	0.0	Corner to Corner	99999



Drilling Permits Statewide Rule 37 & 38 Exceptions

Plat requirements For Between Well SWR 37 exception

- all offset interests must be clearly labeled on plat around the entire lease or pooled unit.
- Read rule 37 for full requirements (copy in handout)
- Could include
 1. Offset operators or
 2. Lessee or
 3. Unleased mineral owner.

All plats used for SWR exceptions must be certified with a surveyors stamp or signature from operator representative.



Drilling Permits Statewide Rule 37 & 38 Exceptions

RESOLUTIONS TO SWR 37 EXCEPTIONS

BETWEEN WELL:

- You are your own offset.
- You have waivers from affected offsets.
- Provide service list for 21-day notification of affected offsets.
- If unable to locate affected parties request to set up for publication of notice for 4 consecutive weeks



Drilling Permits Statewide Rule 37 & 38 Exceptions

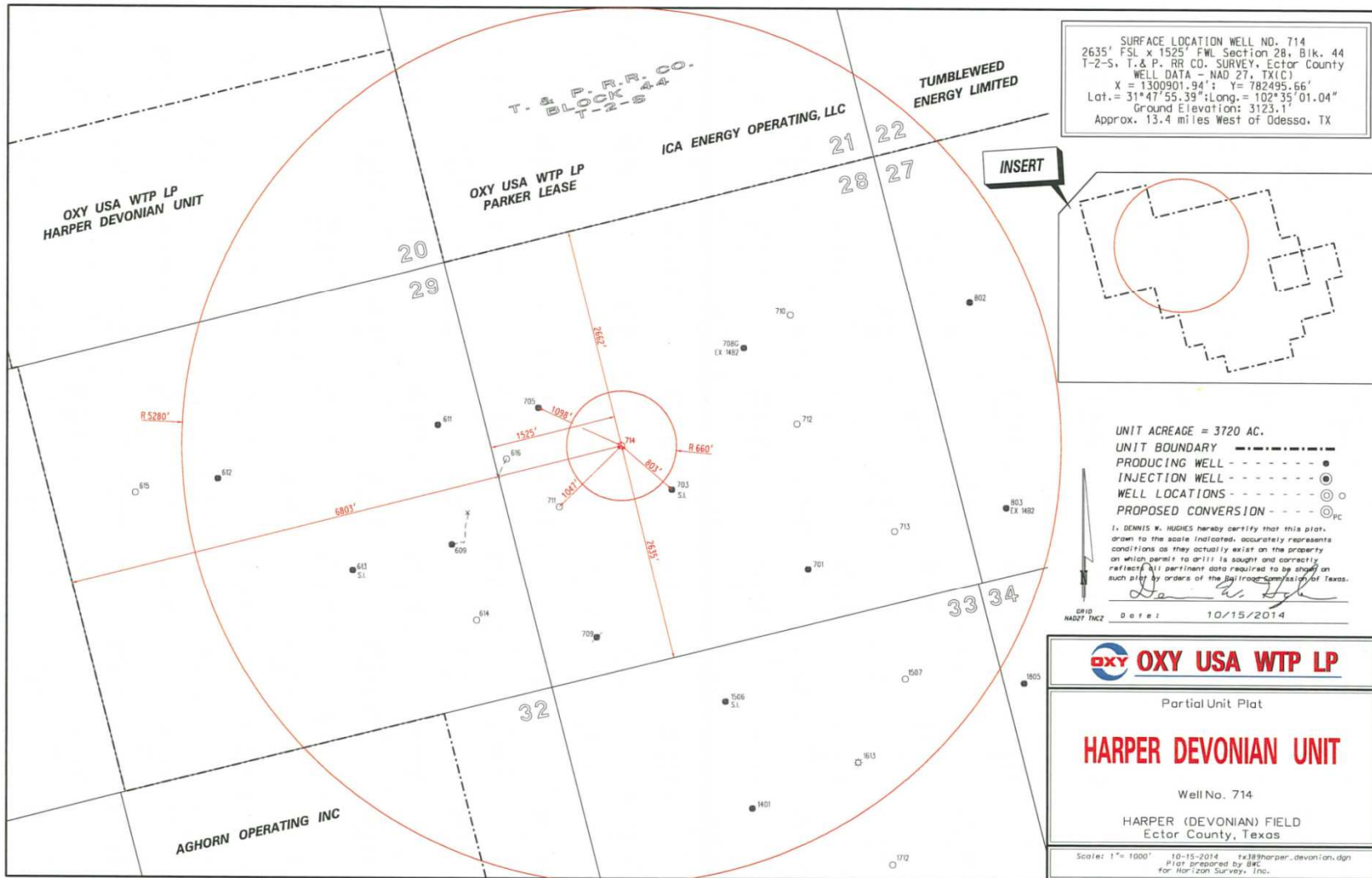
RESOLUTIONS TO SWR 37 EXCEPTIONS

BETWEEN WELL: CONTINUED

- Unaffected status

1. Offset resides in another state or country
2. For larger leases/pooled units that affected offsets are more than 1 mile away from well location.
 - ✓ Provide offset plat that shows entire lease
 - ✓ Show 1 mile radius around well
 - ✓ Letter requesting Unaffected status for those offsets more than 1 mile away including drainage calculations

Drilling Permits Statewide Rule 37 & 38 Exceptions





Drilling Permits Statewide Rule 37 & 38 Exceptions

SWR 38 WELL DENSITY EXCEPTIONS

What triggers a SWR 38 density exception?

Oil Field Rules:							
County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N							
Schedule Remarks: WELL RECORD.							
Comments: OPTIONALS 40AC NO DIAGONAL							
Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	467	933	160.0	40.0	Corner to Corner	0
Optional Rules	All Depths	467	933	40.0	0.0	Corner to Corner	99999

Gas Field Rules:							
County Regular: N Salt Dome: N Field Location: LAND Don't Permit: N							
Schedule Remarks: FIELD RULES ARE TEMPORARY AND EFFECTIVE UNTIL MAY 30, 2012.							
Comments: CORR.INT.8070'-13092',40 AC.OP.,RULES TEMP.TIL 5/30/12							
Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	467	933	320.0	32.0		0
Optional Rules	All Depths	467	933	40.0	0.0	Corner to Corner	99999

Number of wells X the minimum acreage needed should be less than or equal to the lease/pooled unit acreage.

Drilling Permits Statewide Rule 37 & 38 Exceptions



Plat requirements for SWR 38 exception

- all offset interests must be clearly labeled on plat around the entire lease or pooled unit.
- Could include
 1. Offset operators or
 2. Lessee or
 3. Unleased mineral owner.

Verify that your field does not have special notification requirements

All plats used for SWR exceptions must be certified with a surveyors stamp or signature from operator representative.



Drilling Permits Statewide Rule 37 & 38 Exceptions

Special Horizontal Field Rules

Special Horizontal Field Rules: For informational purposes only. The Final Order controls all field rules.

[Illustration](#) [Screen Help](#)

Correlative Interval: From 6865 to 10605 feet

Established by API Number: 32931029

Dual Lease Line Take Point Spacing

First/Last Take Points (Heel and Toe) to Lease Line: 100 feet

Off-Lease Penetration Point: Yes

Perpendicular Spacing from All Take Points to Lease Line: 330 feet

Between-Well Spacing

Horizontal to Vertical: 0 feet

Subsurface Tolerance Box: 50 feet

Horizontal to Horizontal: 0 feet

Non-Perforation Zone (NPZ): Yes

Overlap Distance: N/A

Stacked Lateral Rules: Yes (If yes, see Final Order for details)

Special Rule 38 (Well Density) Provision

Upper: 79 acres

Notification Radius: 660 feet

Lower: 20 acres

Comments for the Special Field Rules

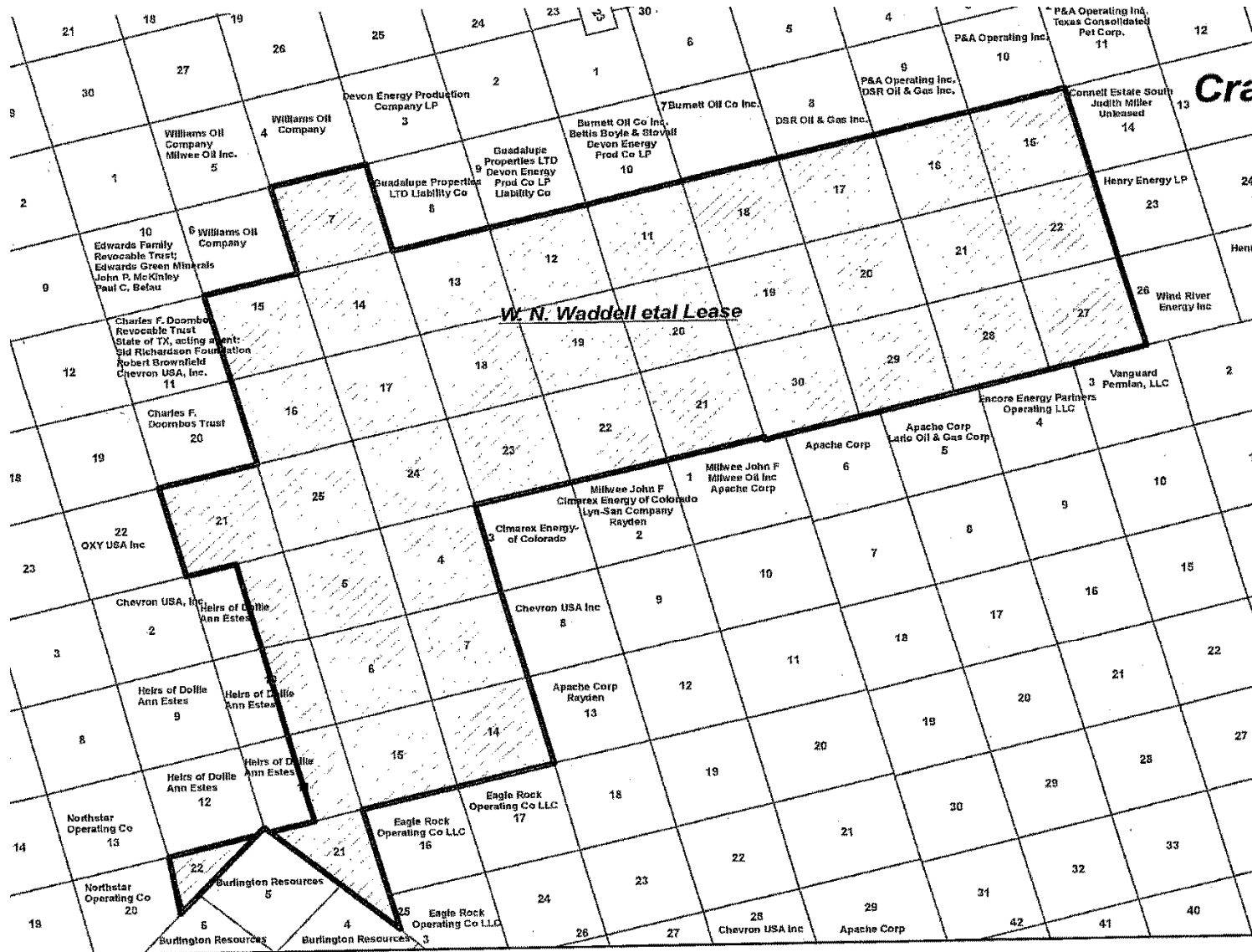
Comments: DOCKET NUMBER 7C-0291171 IS THE SECOND DOCKET APPROVED FOR THIS FIELD.

History: Final Orders that contain special horizontal field rules language

Docket Number	Final Order Effective Date	Final Order Document
7c-0291169	12/02/2014	Click Here



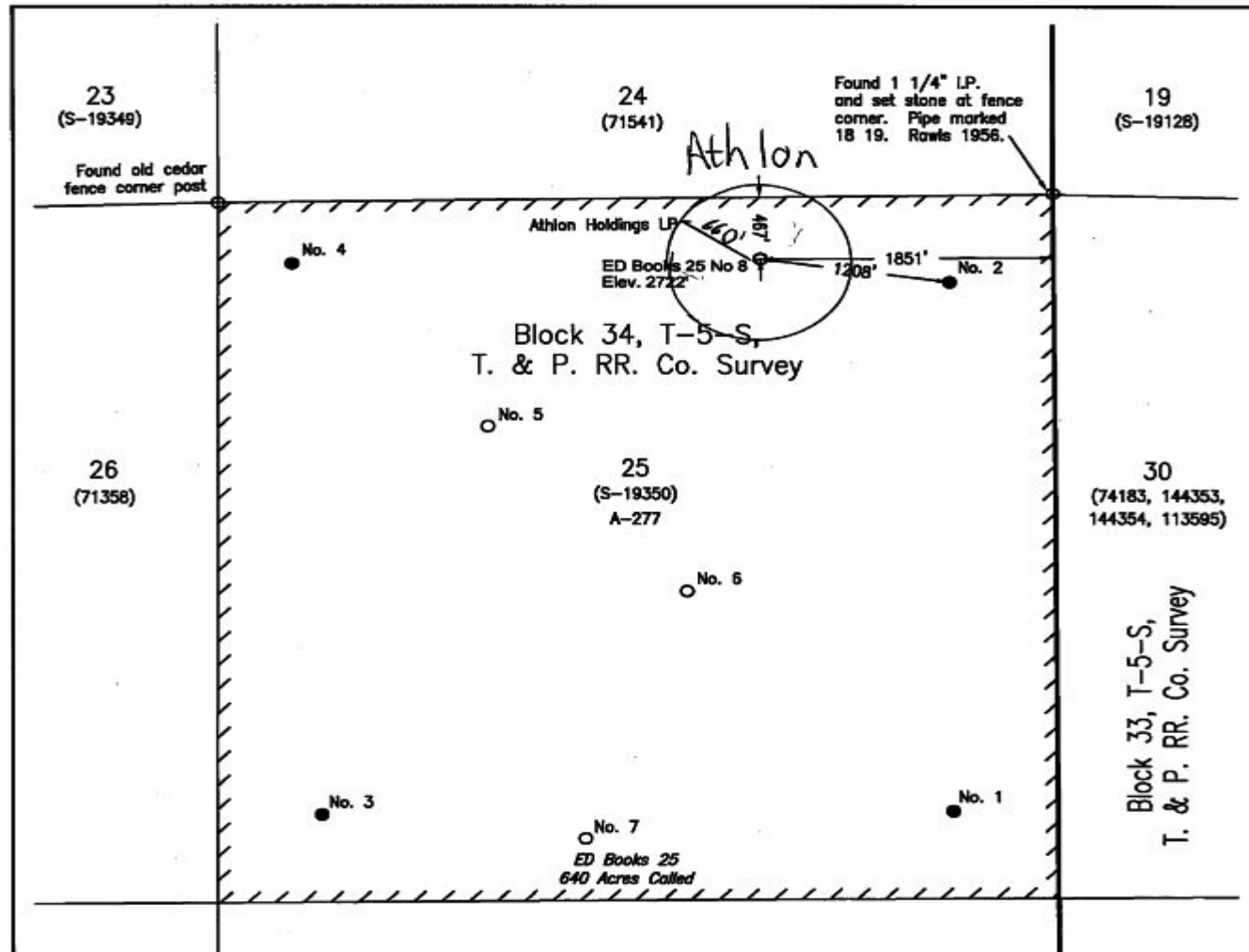
Drilling Permits Statewide Rule 37 & 38 Exceptions



BETWEEN WELL AND DENSITY OFFSET PLAT



Drilling Permits Statewide Rule 37 & 38 Exceptions



VERTICAL WELL OFFSET PLAT- SWR 38 WITH SPECIAL NOTIFICATION REQUIREMENTS



RESOLUTIONS TO SWR 38 EXCEPTIONS

- You are your own offset.
- You have waivers from affected offsets.
- Provide service list for 21-day notification of affected offsets.
- If unable to locate affected parties request to set up for publication of notice for 4 consecutive weeks.



RESOLUTIONS TO SWR 38 EXCEPTIONS

WELL DENSITY: CONTINUED

- Unaffected status
 1. Offset resides in another state or country
 2. For larger leases/pooled units that affected offsets are more than 1 mile away from well location.
 - ✓ Provide offset plat that shows entire lease
 - ✓ Show 1 mile radius around well
 - ✓ Letter requesting Unaffected status for those offsets more than 1 mile away including drainage calculations



RESOLUTIONS TO SWR 38 EXCEPTIONS: Continued

Once notification has occurred with no protests then processing of application continues.

1. If no data is required then permit is administratively approved.
2. If data is required then RRC technical examiner will review the information you have provided.

Drilling Permits Statewide Rule 37 & 38 Exceptions



Railroad Commission of Texas
Oil and Gas Division - Permitting Services

GEOLOGICAL AND ENGINEERING DATA REQUIRED FOR STATEWIDE RULE 38 ADMINISTRATIVE EXCEPTIONS

Applicants for exceptions to Statewide Rule 38 density provisions are required to submit the following engineering and geological information for each applied-for field in support of the request when seeking administrative approval.

FOR ALL APPLICATIONS

1. Area map showing mineral ownership of offsetting wells, offsetting leases, and unleased tracts.
2. Cross section(s) indicating continuity or discontinuity of reservoir.
3. Structure map and/or isopach map indicating limits of reservoir (if relevant).
4. Recoverable reserve calculations for subject lease, pooled unit, or unitized tract, with supporting data.
5. Cumulative production from wells on subject lease, pooled unit, or unitized tract that ever produced from each applied-for field.
6. Estimated of remaining recoverable reserves from existing wells on subject lease, pooled unit, or unitized tract, with supporting data.

WHEN THE REQUESTED EXCEPTION IS TO PREVENT WASTE

7. Items 1-6, above.
8. Estimate of remaining recoverable reserves from offset wells affective subject lease, pooled unit, or unitized tract, with supporting data.
9. Cumulative production from offset wells affecting subject lease, pooled unit, or unitized tract.
10. Amount of recoverable reserves which will not be recovered by wells on or affecting the subject lease, pooled unit, or unitized tract.

Other relevant information may be required to evaluate the request. If any of the above required data cannot be submitted, the applicant must include a written explanation.

April 1997

See notice on reverse side



Drilling Permits Statewide Rule 37 & 38 Exceptions

Original Recoverable Oil & EUR Comparison		
Three Rivers Operating Company II, LLC		
Louis 3112 - Upton County, TX		
Spraberry (Trend Area) Field		
EUR for Entire 640 Acres:		
Average Porosity =	12%	
Average Water Saturation =	25%	
Bo =	1.4 bbl/STB	
Acres =	640	
Estimated Net Pay =	240	
Oil in Place =	76,604,709	STBs
Recovery Factor =	3%	
Original Recoverable Oil =	2,298,141	STBs
Three Rivers has rights to produce from depths below the base of the Spraberry. These volumetrics and EURs apply only to the interval for which Three Rivers has rights to produce. There are 4 wells currently producing in the same interval:		
	Cum. Oil (STBs)	EUR (STBs)
Louis 3142	7,760	145,542
Louis 3131	24,009	72,826
Louis 3114	7,539	30,098
Louis 3133	7,294	50,758
Total	46,602	299,224
Remaining Reserves Left to Recover	1,998,917.26	STBs

EXAMPLE OF RESERVE CALCULATIONS



Drilling Permits Statewide Rule 37 & 38 Exceptions

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division
PO Box 12967
Austin, Texas 78711-2967
www.rrc.state.tx.us

SUBSTANDARD ACREAGE CERTIFICATION

Revised 05/2001

W-1A

1. Operator Name	2. Operator P-5 Number	3. RRC District Number	
4. Lease, Pooled Unit or Unitized Tract Name	5. Lease/ID Number (if assigned)	6. Purpose of Filing <input type="checkbox"/> Only Well <input type="checkbox"/> Surplus Acreage <input type="checkbox"/> Other Docket # _____	
7. Total Acres in Lease, Pooled Unit or Unitized Tract	8. Well Number		
9. County	10. API Number		
11. Field 1	<i>RRC use only</i> Disc. Date	Rules Eff. Date	Rules Amd. Date
12. Field 2	Disc. Date	Rules Eff. Date	Rules Amd. Date
13. Field 3	Disc. Date	Rules Eff. Date	Rules Amd. Date

W-1 A CAN
BE USED TO
GET THE
FIRST WELL
ON A LEASE
OR THE
LAST WELL.

**CERTIFICATION FOR AN OPERATOR SEEKING A PERMIT ON A LEASE, POOLED UNIT OR UNITIZED TRACT WHICH CONTAINS
SUBSTANDARD ACREAGE AS DEFINED BY EITHER STATEWIDE RULE 38 OR BY SPECIAL FIELD RULES.**

A. This lease, pooled unit or unitized tract was established as a separate tract in its present size and shape on _____ and has remained as such since that date.
(mmddyy)

B. The ownership in this lease, unitized tract or the drill site tract of a pooled unit has not:

- I) been the same as or common to the ownership of any adjoining tract at any time after the date set forth in paragraph A.; and,
- II) been unitized or pooled with any adjoining tract and accepted as a single tract for any Commission approved development or allowable purpose.



Drilling Permits Statewide Rule 37 & 38 Exceptions

HOW DOES THE W-1A WORK

- If the date that the tract took its size and shape is prior to the field rules going into effect a permit can be granted on sub-standard acreage.
- If this is the last well on the lease and you have the specified tolerance acreage available and the tract took its size and shape prior to the field rules going into effect then a permit can be granted on sub-standard acreage.

Drilling Permits Statewide Rule 37 & 38 Exceptions



Important things to remember:

- To ensure un-interrupted processing
 1. Make sure you file a certified plat that clearly shows the affected offsets.
 2. If filing in fields with special horizontal rules make sure that if you know an exception is needed that you manually flag your application.
 3. Lastly call us if you have any questions before you file the application.



Contact Information



**For more questions concerning
SWR exceptions contact**

**Chris Houston,
Johnnnethan Washington
Sherri Gore
512-463-6751**